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8 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
9 **DEPARTMENT OF CONSUMER AFFAIRS**
10 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation Against:

Case No. AC-2010-2

12 **SUBRAMANIAN EASWARA RAMANAN**

13 3027 Briggs Court
Pleasanton, California 94588

ACCUSATION

14 Certified Public Accountant No. CPA 83591

15 and

16 **NEEKA ACCOUNTANCY**
17 **CORPORATION**

18 1 North Main Street, Suite 4
Milpitas, California 95035

19 Certified Public Accountancy Corporation
20 No. COR 5384

21 Respondents.
22

23 Complainant alleges:
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25 **PARTIES**

26 1. Patti Bowers (Complainant) brings this Accusation solely in her official capacity as
27 the Executive Officer of the California Board of Accountancy, Department of Consumer Affairs.
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2. On or about June 19, 2002, the California Board of Accountancy issued Certified Public Accountant Certificate Number CPA 83591 to Subramanian Easwara Ramanan (Respondent Ramanan). The Certified Public Accountant Certificate was in full force and effect at all times relevant to the charges brought herein and will expire on November 1, 2011, unless renewed.

3. On or about March 22, 2004, the California Board of Accountancy issued Certified Public Accountancy Corporation Certificate Number COR 5384 to Neeka Accountancy Corporation (Respondent Corporation). The Certified Public Accountancy Corporation Certificate will expire on April 1, 2010, unless renewed.

JURISDICTION

4. This Accusation is brought before the California Board of Accountancy (Board), Department of Consumer Affairs, under the authority of the following laws. All section references are to the Business and Professions Code (Code) unless otherwise indicated.

STATUTORY AND REGULATORY PROVISIONS

5. Section 5050.1(a) of the Code states:

“Any person that engages in any act that is the practice of public accountancy in this state consents to the personal, subject matter, and disciplinary jurisdiction of the board. This subdivision is declarative of existing law.”

6. Section 5035 of the Code states:

“Person” includes individual, partnership, firm, association, limited liability company, or corporation, unless otherwise provided.”

7. Section 5156 of the Code states:

“An accountancy corporation shall not do or fail to do any act the doing of which or the failure to do which would constitute unprofessional conduct under any statute, rule or regulation now or hereafter in effect. In the conduct of its practice, it shall observe and be bound by such statutes, rules and regulations to the same extent as a person holding a permit under Section 5070 of this code. The board shall have the same powers of suspension, revocation and discipline against an accountancy corporation as are now or hereafter authorized by Section 5100 of this

1 code, or by any other similar statute against individual licensees, provided, however, that
2 proceedings against an accountancy corporation shall be conducted in accordance with Chapter 5
3 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and
4 the board shall have all the powers granted therein.”

5 8. Section 5051 of the Code states, in pertinent part:

6 “Except as provided in Sections 5052 and 5053, a person shall be deemed to be engaged in
7 the practice of public accountancy within the meaning and intent of [Chapter 1 of Division 3
8 (commencing with Section 5000)] if he or she does any of the following:

9 “(a) Holds himself or herself out to the public in any manner as one skilled in the
10 knowledge, science, and practice of accounting, and as qualified and ready to render professional
11 service therein as a public accountant for compensation.

12 “(b) Maintains an office for the transaction of business as a public accountant.

13 “(c) Offers to prospective clients to perform for compensation, or who does perform on
14 behalf of clients for compensation, professional services that involve or require an audit,
15 examination, verification, investigation, certification, presentation, or review of financial
16 transactions and accounting records.

17 “(d) Prepares or certifies for clients reports on audits or examinations of books or records of
18 account, balance sheets, and other financial, accounting and related schedules, exhibits,
19 statements, or reports that are to be used for publication, for the purpose of obtaining credit, for
20 filing with a court of law or with any governmental agency, or for any other purpose.

21 “(e) In general or as an incident to that work, renders professional services to clients for
22 compensation in any or all matters relating to accounting procedure and to the recording,
23 presentation, or certification of financial information or data.

24 “(f) Keeps books, makes trial balances, or prepares statements, makes audits, or prepares
25 reports, all as a part of bookkeeping operations for clients.

26 “(g) Prepares or signs, as the tax preparer, tax returns for clients.

27 “(h) Prepares personal financial or investment plans or provides to clients products or
28 services of others in implementation of personal financial or investment plans.

1 “(i) Provides management consulting services to clients. . . .”

2 9. Section 5100 of the Code states, in pertinent part:

3 “After notice and hearing the board may revoke, suspend, or refuse to renew any permit or
4 certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing
5 with Section 5080), or may censure the holder of that permit or certificate for unprofessional
6 conduct that includes, but is not limited to, one or any combination of the following causes:

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8 “(c) Dishonesty, fraud, gross negligence, or repeated negligent acts committed in the same
9 or different engagements, for the same or different clients, or any combination of engagements or
10 clients, each resulting in a violation of applicable professional standards that indicate a lack of
11 competency in the practice of public accountancy or in the performance of the bookkeeping
12 operations described in Section 5052.

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14 “(g) Willful violation of this chapter or any rule or regulation promulgated by the board
15 under the authority granted under this chapter. . . .”

16 10. Section 5060 of the Code states, in pertinent part:

17 “(a) No person or firm may practice public accountancy under any name which is false or
18 misleading.

19 “(b) No person or firm may practice public accountancy under any name other than the
20 name under which the person or firm holds a valid permit to practice issued by the board.

21 “(c) Notwithstanding subdivision (b), a sole proprietor may practice under a name other
22 than the name set forth on his or her permit to practice, provided the name is registered by the
23 board, is in good standing, and complies with the requirements of subdivision (a). . . .”

24 11. Section 5062 of the Code states: “A licensee shall issue a report which conforms to
25 professional standards upon completion of a compilation, review or audit of financial statements.”

26 12. Section 5097 of the Code states, in pertinent part:

27 “(a) Audit documentation shall be a licensee’s records of the procedures applied, the tests
28 performed, the information obtained, and the pertinent conclusions reached in an audit

engagement. Audit documentation shall include, but is not limited to, programs, analyses, memoranda, letters of confirmation and representation, copies or abstracts of company documents, and schedules or commentaries prepared or obtained by the licensee.

“(b) Audit documentation shall contain sufficient documentation to enable a reviewer with relevant knowledge and experience, having no previous connection with the audit engagement, to understand the nature, timing, extent, and results of the auditing or other procedures performed, evidence obtained, and conclusions reached, and to determine the identity of the persons who performed and reviewed the work.

“(c) Failure of the audit documentation to document the procedures applied, tests performed, evidence obtained, and relevant conclusions reached in an engagement shall raise a presumption that the procedures were not applied, tests were not performed, information was not obtained, and relevant conclusions were not reached. This presumption shall be a rebuttable presumption affecting the burden of proof relative to those portions of the audit that are not documented as required in subdivision (b). The burden may be met by a preponderance of the evidence. . . .”

13. Title 16, California Code of Regulations, section 58 (Board Rule 58) provides that “licensees engaged in the practice of public accountancy shall comply with all applicable professional standards, including but not limited to generally accepted accounting principles and generally accepted auditing standards.”

14. Title 16, California Code of Regulations, section 65 (Board Rule 65) provides that “a licensee shall be independent in the performance of services in accordance with professional standards.”

15. Title 16, California Code of Regulations, section 68.1 (Board Rule 68.1) states:

“(a) Working papers are the licensee’s records of the procedures applied, the tests performed, the information obtained and the pertinent conclusions reached in an audit, review, compilation, tax, special report or other engagement. They include, but are not limited to, audit of other programs, analyses, memoranda, letters of confirmation and representations, abstracts of company documents and schedules or commentaries prepared or obtained by the licensee. The

1 form of working papers may be handwriting, typewriting, printing, photocopying, photographing,
2 computer, data, or any other letters, words, pictures, sounds, or symbols or combinations thereof.

3 “(b) Licensees shall adopt reasonable procedures for the safe custody of working papers
4 and shall retain working papers for a period sufficient to meet the needs of the licensee’s practice
5 and to satisfy applicable professional standards and pertinent legal requirements for record
6 retention.

7 “(c) Licensees shall retain working papers during the pendency of any Board investigation,
8 disciplinary action, or other legal action involving the licensee. Licensees shall not dispose of
9 such working papers until notified in writing by the Board of the closure of the investigation or
10 until final disposition of the legal action or proceeding if no Board investigation is pending.”

11 16. Title 16, California Code of Regulations, section 68.2 (Board Rule 68.2) states:

12 “(a) To provide for the identification of audit documentation, audit documentation shall
13 include an index or guide to the audit documentation which identifies the components of the audit
14 documentation.

15 “(b) In addition to the requirements of Business and Professions Code section 5097(b),
16 audit documentation shall provide the date the document or working paper was completed by the
17 preparer(s) and any reviewer(s), and shall include the identity of the preparer(s) and any
18 reviewer(s).

19 “(c) Audit documentation shall include both the report date and the date of issuance of the
20 report.”

21 COST RECOVERY

22 17. Section 5107(a) of the Code states:

23 “The executive officer of the board may request the administrative law judge, as part of the
24 proposed decision in a disciplinary proceeding, to direct any holder of a permit or certificate
25 found to have committed a violation or violations of this chapter to pay to the board all reasonable
26 costs of investigation and prosecution of the case, including, but not limited to, attorneys' fees.

27 The board shall not recover costs incurred at the administrative hearing.”

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1 accordance with GAAS and GAAP, which constitute the standard of practice in the State of
2 California.¹ Cause for discipline of Respondents' licenses is established under Code section
3 5100(g) in conjunction with Board Rule 65 in that Respondents failed to be independent in the
4 performance of their services in accordance with professional standards, in that Respondents'
5 employee made management decisions in the capacity of acting Chief Financial Officer for
6 Systat.

7 **SECOND CAUSE FOR DISCIPLINE**

8 **(Gross Negligence: Business and Professions Code section 5100(c))**

9 20. Respondents performed audits for Systat for the fiscal years ended March 31, 2003
10 and March 31, 2004 in a grossly negligent manner.

11 21. Respondents' gross negligence included the following extreme departures from
12 GAAS:

13 **Auditor's Report**

14 A. Respondents' April 28, 2004 report contained language inconsistent with professional
15 standards in that it included language restricting the use of the report which was not applied or
16 placed in conformance with professional standards (AU § 532.02; AU § 532.03; AU § 532.04;
17 AU § 532.19; Code section 5062).

18 B. Respondents' May 16, 2003 and April 28, 2004 reports contained language
19 inconsistent with professional standards with respect to an opinion based, in part, on the report of
20 another auditor (AU § 508.12; AU § 508.13).

21 **Audit Planning & Documentation**

22 C. Respondents failed to adequately plan and document their audit procedures for the
23 May 16, 2003 and April 28, 2004 reports, including failing to audit material portions of the
24 financial statements (AU § 150.02; AU § 339.01; AU § 339.04; AU § 508.22, Board Rule 68.1).
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26
27 ¹ Board Rule 58 provides that licensees of the Board engaged in the practice of
28 accountancy shall comply with all applicable professional standards, including, but not limited to,
generally accepted accounting principles and generally accepted auditing standards.

1 D. Respondents failed to adequately obtain, document, and evaluate evidential matter to
2 support the May 16, 2003 and April 28, 2004 reports, including failing to index or correlate the
3 documentation to the financial statements (AU § 150.01; AU § 150.02; AU § 230.01; AU §
4 230.02; AU § 326.02; AU § 326.03; AU § 326.11; AU § 326.13; AU § 326.15; AU § 326.16; AU
5 § 326.17; AU § 326.19; AU § 326.25; AU § 339.01; AU § 339.03; AU § 339.04; Board Rule
6 68.1).

7 E. Respondents failed to perform planned, specific procedures for analyzing and testing
8 the accounts receivable for the May 16, 2003 and April 28, 2004 reports (AU § 230.01; AU §
9 230.02; AU § 312.33; AU § 330.09; AU § 330.31; AU § 508.22; AU § 508.24).

10 F. Respondents failed to adequately plan for determining the nature, timing, and extent
11 of auditing procedures for the May 16, 2003 and April 28, 2004 reports (AU § 150.01; AU §
12 150.02; AU § 230.02; AU § 311.03; AU § 339.04; Board Rule 68.1).

13 G. Respondents failed to perform internal control work for the May 16, 2003 and April
14 28, 2004 reports, including failing to document the controls, failing to test the controls, and
15 failing to assess control risk (AU § 150.02; AU § 319.02; AU § 319.07; AU § 319.25; AU §
16 319.61; AU § 339.04; AU § 508.22; AU § Board Rule 68.1).

17 H. Respondents failed to receive legal representation letters for the May 16, 2003 and
18 April 28, 2004 reports (AU § 230.01; AU § 230.02; AU § 337.13; AU § 508.22; Board Rule
19 68.1).

20 I. Respondents failed to consider the audit risk at the individual account balance or class
21 of transactions level for the May 16, 2003 and April 28, 2004 reports and failed to prepare a
22 materiality determination for the April 28, 2004 report (AU § 312.12; AU § 312.25; AU § 312.26;
23 AU § 312.27).

24 J. Respondents failed to make inquiries of management and others within the entity
25 regarding fraud for the May 16, 2003 and April 28, 2004 reports (AU § 110.02; AU § 150.01; AU
26 § 316.19).

27 K. Respondents failed to perform analytical procedures in the planning and overall
28 review stages of the May 16, 2003 and April 28, 2004 reports (AU § 329.01; AU § 329.04).

1 L. Respondents failed to perform required procedures when completing the
2 consolidation of Systat's financial statements with a subsidiary's financial statements audited by
3 another auditor, including inquiring into the professional reputation of the auditor and obtaining a
4 representation of independence from the auditor (AU § 543.10; Board Rule 68.1).

5 **THIRD CAUSE FOR DISCIPLINE**

6 **(Failure to Issue Report Conforming to Professional Standards: Business and Professions**
7 **Code sections 5100(g) and 5062)**

8 22. Incorporating by reference the allegations in paragraphs 20 and 21, cause for
9 discipline of Respondents' licenses is established under Code section 5100(g), in that
10 Respondents' auditor's reports do not conform to professional standards, as required by Code
11 section 5062.

12 **FOURTH CAUSE FOR DISCIPLINE**

13 **(Violation of Professional Standards:**

14 **Business and Professions Code section 5100(g) and Board Rule 58)**

15 23. Incorporating by reference the allegations in paragraphs 20 and 21, cause for
16 discipline of Respondents' licenses is established under Code section 5100(g) in conjunction with
17 Board Rule 58 in that Respondents' failures constitute multiple willful violations of applicable
18 professional standards.

19 **FIFTH CAUSE FOR DISCIPLINE**

20 **(Inadequate Audit Documentation: Business and Professions Code section 5097,**
21 **subdivisions (a), (b), and (c) and Board Rules 68.1 and 68.2)**

22 24. Cause for discipline of Respondents' licenses is established under Code section 5097,
23 subdivisions (a), (b), and (c), in conjunction with Board Rules 68.1 and 68.2 in that Respondents
24 failed to comply with audit working paper and documentation requirements. The working papers
25 did not evidence the procedures applied, test performed, or pertinent conclusions reached for
26 material portions of the May 16, 2003 and April 28, 2004 reports.

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SIXTH CAUSE FOR DISCIPLINE

(Unregistered Firm Name: Business and Professions Code section 5100(g) and 5060)

25. Cause for discipline of Respondent Ramanan's license is established under Code section 5100(g) in conjunction with Code section 5060 in that he failed to register the firm name of Neeka Accountancy Corporation with the Board while engaging in the practice of public accountancy as defined by Code section 5051. The circumstances are set forth in paragraph 26, below.

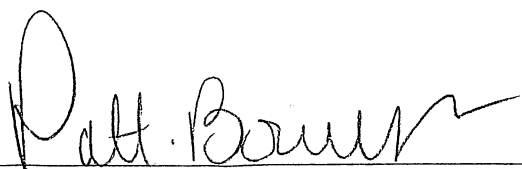
26. The firm name of Neeka Accountancy Corporation was not registered with the Board until on or about March 22, 2004. Respondent Ramanan, however, has been practicing under the firm name of Neeka Accountancy Corporation since at least on or about May 16, 2003.

PRAYER

WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that following the hearing, the California Board of Accountancy issue a decision:

1. Revoking or suspending or otherwise imposing discipline upon Certified Public Accountant Number CPA 83591, issued to Subramanian Easwara Ramanan;
2. Revoking or suspending or otherwise imposing discipline upon Certified Public Accountancy Corporation Number COR 5384, issued to Neeka Accountancy Corporation;
3. Ordering Subramanian Easwara Ramanan and Neeka Accountancy Corporation to pay the California Board of Accountancy the reasonable costs of the investigation and enforcement of this case, pursuant to Business and Professions Code section 5107; and
4. Taking such other and further action as deemed necessary and proper.

DATED: November 12, 2009


PATTI BOWERS
Executive Officer
California Board of Accountancy
Department of Consumer Affairs
State of California
Complainant